

Daily Treasury Outlook

20 December 2019

Highlights

Global: Global equity market extended the rally on Thursday on the back of optimism of trade deal despite mixed US data. US Treasury Secretary Steven Mnuchin said the phase one trade deal will be signed at the beginning of January as the deal was completely finished. US initial weekly jobless claims fell by 18K to 234K although continuing claims rose from 1.667 million to 1.722 million. Manufacturing sector remained weak with the Philadelphia Fed Business index slipped to 0.3 from 10.4. Housing data also disappointed with the existing home sales fell by 1.7% mom missing market expectation. Market will watch out for 3Q US GDP data, PCE income and spending data and University of Michigan business sentiment data later today.

The Bank of Japan kept its benchmark interest rate unchanged as widely expected. The BoJ Governor Kuroda was more upbeat on growth outlook saying that global outlook has brightened somewhat due to preliminary US-China trade deal. However, he also countered the view that monetary policy has reached its limit saying that deepening negative rates were among the policy option. His view was echoed by the new research study by ECB staff. The research paper said the lower overnight rate is associated with stronger loan growth and the negative rates could even go lower further before any cuts become counterproductive amid a severe shock to growth.

Despite all the talks about the negative interest rate, the Sweden central bank hiked its benchmark borrowing costs to zero yesterday ending five-year negative interest rate policy. The central bank Governor said the negative interest rate worked well boosting inflation and the economy. However, he also shared the concern about the impact of prolonged negative interests which may affect the productivity in the longer run.

Market watch: Today, markets will be watching out for the revised US and UK GDP and also any updates on the impeachment process against Trump.

UK: The Bank of England kept its benchmark interest rate unchanged with 7-2 vote. Two members voted for a rate cut for a second month. However, majority of members prefer a wait-and-see approach as it was too soon to assess how much the impact of the election on the UK economy.

China: The PBoC injected CNY280 billion liquidity into the system, largest since January, to meet seasonal demand. PBoC will remain flexible to keep money market volatility in check. For today, market will watch out for the December LPR fixing which is due at 9:30am.

Philippines: Philippine Socioeconomic Planning Secretary Ernesto Pernia said that the economy is expected to grow between 6.5-7.5% between 2020-2022. We are forecasting the Philippines to post a growth rate of 6.2% next year.

Key Market Movements

Equity	Value	% chg
S&P 500	3205.4	0.4%
DJIA	28377	0.5%
Nikkei 225	23865	-0.3%
SH Comp	3017.1	0.0%
STI	3207.4	-0.1%
Hang Seng	27800	-0.3%
KLCI	1596.4	-0.2%

Currencies	Value	% chg
DXY	97.379	0.0%
USDJPY	109.37	-0.2%
EURUSD	1.1122	0.1%
GBPUSD	1.3009	-0.5%
USDIDR	13986	0.0%
USDSGD	1.3552	0.0%
SGDMYR	3.0547	0.1%

Rates	Value	chg (bp)
3M UST	1.56	1.02
10Y UST	1.92	0.35
1Y SGS	1.74	0.00
10Y SGS	1.73	-0.03
3M LIBOR	1.91	0.55
3M SIBOR	1.77	0.00
3M SOR	1.53	-0.25

Commodities	Value	% chg
Brent	66.54	0.6%
WTI	61.18	0.5%
Gold	1479	0.2%
Silver	17.06	0.3%
Palladium	1938	0.8%
Copper	6215	0.7%
BCOM	80.35	0.3%

Source: Bloomberg

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Major Markets

US: US markets rose last night, recording new highs as markets resumed the post trade deal rally, shrugging off news that Trump has been impeached in the House of Representatives. The S&P500 index was up 0.45%. On the impeachment process, we do not expect it to have any huge downside risks to the markets.

Singapore: The STI closed marginally down yesterday, falling -0.1% to end the day at 3207.42. Despite the US-China phase one agreement last week, the STI's performance has remained lacklustre and is set to close lower on a weekly basis. Support is still expected at 3100 in the near-term. Trading is expected to be muted as we approach year-end.

South Korea: South Korean authorities have cut their growth estimate for the country next year from 2.6% to 2.4%. That estimate is still marginally higher than our internal forecast of 2.2%. Risks to the downside remain for South Korea's economy as its exports sector is currently caught in two trade wars: one with Japan, and another as an externality from the US-China standoff.

Oil: Brent prices continue their upward climb yesterday, closing at \$66.14/bbl to clock a third consecutive day of finishing above \$66/bbl. The rise in crude oil prices came amid a combination of OPEC+ supply cuts, demand optimism over the US-China trade deal and falling US inventories. Going into 2020, we are optimistic that oil prices will likely creep higher as global growth stabilises.

Bond Market Updates

Market Commentary: The SGD swap curve bear-steepened yesterday, with the shorter tenors and belly trading 0-3bps higher while the longer tenors traded 4-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS remained unchanged at 120bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 498bps. The HY-IG Index spread tightened 2bps to 378bps. 10Y UST Yields remained largely unchanged at 1.92%, as investors weighed mixed economic signals on the US labour market and business conditions, without a strong catalyst in either direction.

New Issues: There were no new issues or mandates.

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Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.379	-0.02%	USD-SGD	1.3552	-0.01%
USD-JPY	109.370	-0.16%	EUR-SGD	1.5073	0.06%
EUR-USD	1.1122	0.07%	JPY-SGD	1.2392	0.18%
AUD-USD	0.6886	0.48%	GBP-SGD	1.7630	-0.54%
GBP-USD	1.3009	-0.53%	AUD-SGD	0.9332	0.46%
USD-MYR	4.1412	0.06%	NZD-SGD	0.8954	0.26%
USD-CNY	7.0104	0.08%	CHF-SGD	1.3849	0.19%
USD-IDR	13986	-0.03%	SGD-MYR	3.0547	0.08%
USD-VND	23174	--	SGD-CNY	5.1734	0.13%

Equity and Commodity

Index	Value	Net change
DJIA	28,376.96	137.68
S&P	3,205.37	14.23
Nasdaq	8,887.22	59.48
Nikkei 225	23,864.85	-69.58
STI	3,207.42	-2.12
KLCI	1,596.36	-2.75
JCI	6,249.93	-37.32
Baltic Dry	1,221.00	--
VIX	12.50	-0.08

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4610	-0.60%	O/N	1.5335	-0.21%
2M	-0.3360	-0.21%	1M	1.7646	0.08%
3M	-0.4030	0.08%	2M	1.8419	0.14%
6M	-0.3480	0.14%	3M	1.9080	0.55%
9M	-0.1940	0.55%	6M	1.9049	0.02%
12M	-0.2690	0.02%	12M	1.9696	0.12%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.56 (--)	1.63 (--)
5Y	1.58 (--)	1.73 (--)
10Y	1.73 (--)	1.92 (--)
15Y	1.85 (--)	--
20Y	1.93 (--)	--
30Y	2.09 (--)	2.35 (+0.01)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	0.75-1.00%	1.00-1.25%	1.25-1.50%
29/01/2020	2.10%	0.00%	0.00%	0.00%	0.00%
18/03/2020	1.90%	10.40%	0.00%	0.00%	10.40%
29/04/2020	1.70%	18.60%	0.00%	1.00%	17.60%
10/06/2020	1.50%	27.50%	0.10%	2.80%	24.60%
29/07/2020	1.40%	35.90%	0.40%	5.40%	30.10%
09/16/2020	1.20%	44.60%	1.10%	8.80%	34.60%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.10	0.12
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	1.54
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	61.22	0.5%	Corn (per bushel)	3.8650	-0.1%
Brent (per barrel)	66.54	0.6%	Soybean (per bushel)	9.245	-0.4%
Heating Oil (per gallon)	2.0295	0.5%	Wheat (per bushel)	5.4525	-0.5%
Gasoline (per gallon)	1.7068	1.4%	Crude Palm Oil (MYR/MT)	2,853.0	0.6%
Natural Gas (per MMBtu)	2.2730	-0.6%	Rubber (JPY/KG)	173.5	-1.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,215	0.7%	Gold (per oz)	1,478.8	0.2%
Nickel (per mt)	14,170	2.2%	Silver (per oz)	17.064	0.3%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
12/20/2019 07:30	JN	Natl CPI YoY	Nov	0.50%	--	0.20%
12/20/2019 07:30	JN	Natl CPI Ex Fresh Food YoY	Nov	0.50%	--	0.40%
12/20/2019 15:30	TH	Foreign Reserves	Dec-13	--	--	\$220.4b
12/20/2019 16:00	TA	Export Orders YoY	Nov	-0.90%	--	-3.50%
12/20/2019 16:30	HK	CPI Composite YoY	Nov	3.10%	--	3.10%
12/20/2019 17:30	UK	GDP QoQ	3Q F	0.30%	--	0.30%
12/20/2019 17:30	UK	GDP YoY	3Q F	1.00%	--	1.00%
12/20/2019 17:30	UK	PSNB ex Banking Groups	Nov	6.3b	--	11.2b
12/20/2019 21:30	US	GDP Annualized QoQ	3Q T	2.10%	--	2.10%
12/20/2019 21:30	US	GDP Price Index	3Q T	1.80%	--	1.80%
12/20/2019 21:30	US	Personal Consumption	3Q T	--	--	2.90%
12/20/2019 23:00	US	U. of Mich. Sentiment	Dec F	9920.00%	--	9920.00%
12/20/2019 23:00	US	Personal Income	Nov	0.30%	--	0.00%
12/20/2019 23:00	US	Personal Spending	Nov	0.40%	--	0.30%
12/20/2019 23:00	EC	Consumer Confidence	Dec A	-7.2	--	-7.2

Source: Bloomberg

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